

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)	
)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	

REPLY COMMENTS OF WORLDCOM, INC.

WorldCom, Inc. (WorldCom) hereby files reply comments in the above-referenced proceeding opposing AT&T's request to contribute to universal service on the basis of its projected revenues.¹ Virtually all commenters – Bell Operating Companies (BOCs), wireless companies, and long-distance companies alike -- agree with WorldCom that the Commission should deny AT&T's request.² ASCENT appears to support AT&T's request only in the event that the Commission does not implement true universal service reform quickly and if all contributors similarly-situated to AT&T would be permitted to contribute on the basis of projected revenues.³ With this narrow exception, commenters made nearly identical arguments as to why AT&T's request should be denied. The Commission should heed these arguments, deny AT&T's request, and use all its resources to immediately implement the universal service reform proposal submitted

¹ "Commission Seeks Comment on AT&T Request to Contribute to Universal Service Based on Projected Revenues," *Public Notice*, DA 02-376, rel. Feb. 26, 2002 (Public Notice).

² Opposition of SBC Communications, Inc.; BellSouth Comments; Verizon Wireless Comments; Verizon Comments; Sprint Comments; WorldCom Comments.

³ Comments of the Association of Communications Enterprises at 7-8.

today by the Coalition for Sustainable Universal Service – a per-connection and capacity-based contribution and recovery mechanism.⁴

SBC, BellSouth, Verizon Wireless, Sprint, and WorldCom agree that it would be competitively unfair to grant AT&T its requested relief.⁵ Allowing AT&T to contribute on the basis of projected revenues would reduce AT&T's universal service contribution, which would lead to a smaller overall contribution base and, thus, a higher contribution factor. AT&T would apply this contribution factor to a smaller revenue base, while other carriers with declining revenues would apply it to their larger historical revenue base. AT&T claims this would allow it to reduce its universal service surcharge, while other contributors likely would have to increase their universal service surcharges. This is competitively unfair -- especially for WorldCom, the second-largest long distance providers in terms of revenues -- and alone is grounds for denying AT&T's request.

Commenters also echo WorldCom's arguments that AT&T has not met the legal standard for granting a waiver, including demonstration of "special circumstances."⁶ AT&T is joined by many other contributors that also are experiencing declining interstate revenues, as indicated by first quarter 2002 actual and anticipated financial results.⁷ Commenters therefore further agree that, if AT&T's request is granted, so must other similarly-situated carriers be granted the same relief.⁸ WorldCom explained in its initial

⁴ See, In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Coalition for Sustainable Universal Service Comments, filed April 22, 2002.

⁵ SBC Opposition at 2; BellSouth Comments at 2; Verizon Wireless Comments at 2; Sprint Comments at 1, 3.

⁶ See, e.g., SBC Opposition at 2; BellSouth Comments at 2; Verizon Comments at 1; Sprint Comments at 2.

⁷ "WorldCom Shares Plunge, Drag Down Telecoms," Jessica Hall, Yahoo Finance, April 22, 2002 (citing WorldCom's slash of 2002 revenue expectations by 5.4 percent).

⁸ See, e.g., ASCENT Comments at 7-8; SBC Comments at 2-3; WorldCom Comments at 15-16.

comments the many reasons why this would be an undesirable outcome, but necessary nonetheless if the Commission grants AT&T's request.

Several commenters join with WorldCom in pointing out the complexity and administrative burden associated with projecting revenues and conducting true-ups,⁹ as well as the potential for "gaming" when carriers engage in the highly inexact process of projecting revenues. WorldCom discussed at some length these deficiencies in its initial comments.¹⁰

Lastly, the majority of commenters, including WorldCom, emphasize the foolishness of granting AT&T's request when the Commission is actively considering through a rulemaking proceeding meaningful universal service reform.¹¹ As WorldCom and its coalition partners explain in comments filed today in the companion proceeding, there is urgent need to abandon a revenue-based approach to assessing and collecting federal universal service monies. With the continued downward plunge in interstate revenues, assessment rates are poised to rise to unprecedented levels well in excess of 10 percent. Moreover, the current system is broken in any number of ways, including failure to provide for adequate contribution from wireless providers. It would be irresponsible for the Commission to attempt to apply a band-aid solution, such as the one AT&T proposed, when its scarce administrative resources are urgently needed to revise the federal universal service fund so that it can be paid for by reasonable assessments on interstate connections and capacity. WorldCom urges the Commission to set aside the AT&T

⁹ See, e.g., Verizon Wireless Comments at 1, 2.

¹⁰ WorldCom Comments at 10-14.

¹¹ See, e.g., Verizon Wireless Comments at 1, 4; SBC Comments at 1; Verizon Comments at 1-2, 4; Sprint Comments at 4.

proposal and turn its immediate and undivided attention to implementing a competitively neutral connections-based plan as soon as possible.

For the reasons explained by virtually all the commenters to this proceeding, the Commission should deny AT&T's request to contribute to universal service on the basis of projected revenues. The Commission should implement meaningful reform by adopting a per-connection contribution methodology, as proposed in the Further Notice. In the event that the Commission grants AT&T's request, however, it must simultaneously grant similarly-situated contributors the same relief.

Sincerely,

Lori Wright //s//

Lori Wright
Associate Counsel
WORLDCOM, INC.
1133 19th Street, N.W.
Washington, D.C. 20036

(202) 736-6468

April 22, 2002

CERTIFICATE OF SERVICE

I, Lonzena Rogers, do hereby certify, that on this twenty-second day of April, 2002, that I have electronically submitted a true and correct copy of WorldCom, Inc.'s Reply Comments in the matter of CC Docket No. 96-45 with the Federal Communications Commission Office of the Secretary and that I have caused to be delivered by United States Postal Service first class mail, hand delivery or e-mail a copy to the following:

Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Sheryl Todd
Telecommunications Access Policy
Wireline Competition Bureau
445 Twelfth Street, SW
Room 5-B540
Washington, DC 20554

Qualex International
Portals II
Federal Communications Commission
445 Twelfth Street, SW
Room CY-B402
Washington, DC 20554

Charles C. Hunter
Catherine M. Hannan
Hunter Communications Law Group
1425 Sixteenth Street, NW
Suite 105
Washington, DC 20036
Attorneys for Association
of Communications Enterprises

Marybeth M. Banks
H. Richard Juhnke
Sprint Corporation
401 Ninth Street, NW
Suite 400
Washington, DC 20004

Jeffrey A. Brueggeman
Gary L. Phillips
Paul K. Mancini
SBC Communications, Inc.
1401 I Street, NW
Suite 400
Washington, DC 20005

Richard M. Sbaratta
BellSouth Corporation
675 West Peachtree Street, NE
Atlanta, GA 30375-0001

John T. Scott, III
Anne E. Hoskins
Verizon Wireless
1300 I Street, NW
Suite 400 West
Washington, DC 20005

Joseph DiBella
Verizon
1515 North Courthouse Road
Suite 500
Arlington, VA 22201-2909

Lonzena Rogers